

Message Text

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21

ACTION NEA-10

INFO OCT-01 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-01

SIL-01 INT-05 IO-10 DODE-00 PM-03 H-01 L-02 PA-01

PRS-01 USIA-06 /098 W

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P R 250752Z NOV 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 8615

INFO AMEMBASSY ISLAMABAD

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USADB

FOR NAC AGENCIES

E.OM QQ652: ADS, DECLAS 12/31/75

TAGS: EAID, EFIN, PK

SUBJECT: ADB LOAN FOR TARBELA

REFS: (A) STATE 255254; (B) MANILA 13600

ADB'S INFORMAL RESPONSE TO QUESTIONS POSED REFTEL A
FOLLOWS:

1. INSURANCE: PROJECT IS INSURED WITH U.K. UNDERWRITER,
BOWEREN, LTD.; INSURANCE POLICY IS FOR MAXIMUM \$100
MILLION ON ANY ONE CLAIM, IS SPREAD OVER NUMBER OF
INSURANCE COMPANIES ON QUOTE LAYERED END QUOTE BASIS.
IT IS UNDERSTOOD THAT POLICY CONTAINED ESCAPE CLAUSES
FOR (I) FAULTY WORKMANSHIP; (II) FAULTY DESIGN; AND
(III) FAULTY OPERATION. POLICY IS HELD IN JOINT NAMES
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OF CONTRACTOR, TARBELA JOINT VENTURE (TJV), AND GOVT

OF PAKISTAN.

2. BANK UNDERSTANDS THAT BINNIE AND PARTNERS, CONSULTING ENGINEERS OF LONDON, HAVE BEEN RETAINED BY CONTRACTOR (TJV) TO PREPARE INSURANCE CLAIM FOR DAMAGES SUSTAINED AT TARBELA. IT APPEARS THAT INSURANCE CLAIM IS BEING ACTIVELY PURSUED ALTHOUGH CLAIM HAS NOT BEEN LODGED YET. IT MUST BE ASSUMED THAT INSURER HAS BEEN ADVISED THAT CLAIM IS UNDER CONSIDERATION. IT IS MOST PROBABLE THAT SUCCESSFUL CLAIM WOULD BE RESULT OF VERY LENGTHY LEGAL PROCEEDINGS; IT IS MORE PROBABLE THAT SOME FORM OF COMPROMISE WILL BE REACHED WITH INSURANCE COMPANY.

3. FINANCING OF REPAIRS: LATEST COST ESTIMATES AVAILABLE IN BANK INDICATE THAT REPAIRS WILL TOTAL \$48 MILLION COMPRISING \$32 MILLION FOR REPAIRS FOR TUNNEL DAMAGE AND \$16 MILLION FOR OTHER REMEDIAL WORK (ADDITIONAL DRAINAGE, PRESSURE RELIEF WELLS, ETC.). SITUATION WITH REGARD TO INSURANCE AND CONTRACTUAL ARRANGEMENTS FOR CARRYING OUT REPAIR WORK IS VERY COMPLEX AND IS STILL UNDER DISCUSSION. INTERIM ARRANGEMENTS HAVE BEEN MADE TO PROVIDE FOR CONTRACTOR TO CARRY OUT WORK AS ORDERED BY ENGINEERS, AND AUDITED COST RECORDS WILL BE PROVIDED.

4. IT IS IBRD'S VIEW THAT COMPLETION OF PROJECT IS NOT IN DOUBT AND THAT REMAINING RESOURCES OUT OF EXISTING FUNDS ARE SUFFICIENT TO ENSURE THAT WORK PROCEEDS AT MAXIMUM FEASIBILITY PACE. AS SOON AS DETAILED COST ESTIMATE (INCLUDING ALL COSTS REGARDING TUNNEL 1) ARE AVAILABLE, IBRD WILL MAKE FINANCIAL REPORT TO PARTIES PRESENTLY FUNDING TARBELA DAM AND TOGETHER WITH GOVT OF PAKISTAN SUCH ADDITIONAL FUNDING REQUIRED. IT IS UNDERSTOOD THAT EVEN WITH HIGH COST OF REPAIRS, OVERALL COST OVERRUN ON PROJECT IS CONSIDERED SMALL WHEN COMPARED WITH OVERALL INVESTMENT AND SIZE OF PROJECT.

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5. WITH REGARD TO DAMAGE TO TARBELA TUNNELS AND CERTAIN OTHER PROBLEMS, BANK WILL NOT BECOME INVOLVED IN FINANCING OF DAMAGES.
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Message Attributes

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